

Purchasing Additional Service Credit

Effective July 2006, eligible members may purchase additional service credit in order to increase their monthly retirement benefit. The purchased service credit cannot be used to qualify for retirement or to qualify for a three percent reduction factor instead of an actuarial reduction for early retirement.

What is additional purchased service credit?

Purchasing additional service credit is a way to increase your monthly retirement benefit for the rest of your life and, if you choose a survivor option, the increase will continue to be paid to a survivor after your death. The additional service credit you purchase is not considered actual membership service credit and can only be purchased when you have already qualified for retirement.

Who is eligible to purchase additional service credit?

Members of the following retirement systems who qualify for retirement based on membership service are eligible to purchase additional service credit:

- Public Employees' Retirement System (PERS) Plans 1, 2 or 3
- School Employees' Retirement System (SERS) Plans 2 or 3
- Teachers' Retirement System (TRS) Plans 1, 2 or 3
- Law Enforcement Officers' and Fire Fighters' (LEOFF) Plans 1 or 2
- Washington State Patrol Retirement System (WSPRS) Plans 1 or 2
- Public Safety Employees' Retirement System (PSERS) Plan 2

How much additional service credit can I purchase?

Eligible members may purchase up to five years (60 months) of service credit in whole month increments.

When can I apply to purchase additional service credit?

You must apply at the time you apply for retirement. The application must be in writing on the *Request to Purchase Additional Service Credit* form supplied by the Department of Retirement Systems (DRS).

If I am an inactive member and I am eligible for retirement before July 1, 2006, can I purchase service credit if I wait to retire until the legislation takes effect on July 1, 2006?

Yes. If you otherwise qualify, you may purchase service credit with a retirement application submitted to DRS on or after July 1, 2006 even if your retirement date is before July 1, 2006.



How do I pay?

Payment may be made with an eligible rollover, a direct rollover or a trustee-to-trustee transfer from an eligible retirement plan. You may also use after-tax dollars, such as those from a personal savings account. IRS regulations, however, limit the amount of after-tax dollars you can use for this type of purchase. Please consult a tax advisor for more information regarding IRS limitations.

When do I pay?

If you have made a request to purchase additional service credit, a bill will be created in your month of retirement. Payment must be made in full within 90 days of the bill issue date.

What would my monthly increase be if I purchased additional service credit and what would it cost?

To purchase additional service credit, you must pay, in a lump sum, the actuarial equivalent value of the increased monthly retirement benefit provided by the additional service credit. Once the monthly value of the purchased service credit is determined, an annuity factor as provided by the Office of the State Actuary (see table on page 4) is applied. The following example illustrates how this would work.

Becky is a PERS Plan 2 member who is 65 years of age and has 22 years (264 months) of service credit. Her average final compensation (AFC) is \$3,000 per month. She wants to purchase five years (60 months) of additional service credit.

Step one: Calculate Becky's monthly retirement benefit without the additional service credit. The formula is:

Months of Service \div 12 \times 2% \times AFC = monthly benefit.

For Becky, this means:

$$264 \div 12 \times 2\% \times \$3,000 = \$1,320$$

Step Two: Calculate the monthly amount provided by the additional service credit.

$$60 \div 12 \times 2\% \times \$3,000 = \$300$$

Becky's total monthly retirement benefit with the purchased additional service credit would be:

$$\$1,320 + \$300 = \$1,620$$

To determine the cost for the purchase of additional service credit, divide the monthly amount provided by the additional service credit (\$300) by the annuity factor (see page 4) for Becky's age. The cost for Becky to purchase five years (60 months) of service credit would be \$41,403 calculated as follows:

$$\$300 \div 0.0072458 = \$41,403$$

Note: If Becky retired before age 65, her monthly retirement benefit and the monthly increase provided by the additional service credit would be reduced by an early retirement factor.

Can I use the additional service credit I purchase to qualify for the three percent reduction instead of the actuarial reduction to my retirement benefit?

No. You must have 30 years of earned membership service credit to qualify for the three percent early retirement reduction. Note: LEOFF Plan 2 members who are at least age 50 (but not yet age 53) with at least 20 years of service credit qualify for the three percent per year reduction for each year they are under age 53.

Can I purchase additional service credit if I am retiring from a retirement plan that does not allow me to receive a monthly retirement benefit that exceeds 60% (or 75%) of my average final compensation?

Yes. The 60% (or 75%) maximum applies only to your monthly retirement benefit. The purchase of additional service credit will provide you an additional amount that will be added to your monthly retirement benefit.

Will my survivors receive the additional benefit of the purchased service credit?

If you select a survivor benefit option on your monthly retirement benefit, your survivor will receive the increase resulting from the purchase of additional service credit.

Will the money I paid to purchase the additional service credit be refunded to my beneficiary or estate if I die?

This depends on whether you are a Plan 1, Plan 2 or a Plan 3 member and whether you select a survivor to receive a continuing monthly benefit. If you select a survivor to continue to receive all or a portion of your monthly retirement benefit, no refund will be made.

If you do not select a survivor option and you are a Plan 1 or Plan 2 retiree, and there is money in your account to be refunded, the cost to purchase additional service credit will be included in the refund amount. If you do not select a survivor option and you are a Plan 3 retiree, the cost to purchase the additional service credit will not be refunded because your payment goes into the Plan 3 trust fund and not into your individual account.

If I am retiring for disability, can I purchase additional service credit?

Members retiring as a result of a disability are eligible to purchase additional service credit if they meet the criteria for a service retirement.

If I'm combining service earned in two DRS-covered retirement systems, will I be eligible to purchase additional service credit?

Yes. You may purchase up to five years, or 60 months, to increase your monthly benefit in each system and plan from which you retire for service under the portability rules. For more information on combining service credit (also known as "dual membership") from two DRS-covered systems, see the *What is dual membership and how does it affect me?* brochure.

When will my benefit increase?

Your benefit will increase once payment is received in full. At that time, you will receive the increased benefit retroactive to your retirement date.

Will Cost of Living Adjustments (COLAs) be applied to the purchased service credit monthly increase?

COLAs will be applied to the monthly purchased service credit increase if you retire from any system and plan except PERS Plan 1 or TRS Plan 1. If you retire from PERS Plan 1 or TRS Plan 1, you will only receive a COLA if you select the auto COLA option at the time you retire.

Is there a way to determine if this purchase is beneficial to me?

There is no single program or product to provide this information. A calculator is available within *Online Account Access* on the DRS Web site at www.drs.wa.gov that you may use, or, if you are within two years of retirement, you may contact a Retirement Services Analyst at DRS to obtain an estimate of the cost of the additional service credit and the monthly amount it would provide. We recommend that you discuss this option with your financial advisor to determine if this purchase would be beneficial for you. Consider your overall financial situation and retirement needs very carefully before making this decision. Your election to purchase additional service credit is irrevocable.

| Annuity Factors based on your age and retirement plan (as provided by the Office of the State Actuary) | | | | | | | | | | |
|--|-----------|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Age | PERS 1 | PERS 2/3 | SERS 2/3 | LEOFF 1 | LEOFF 2 | TRS 1 | TRS 2/3 | WSPRS 1 | WSPRS 2 | PSERS 2 |
| 45 | 0.0070495 | 0.0050312 | 0.0049163 | 0.0057894 | 0.0050989 | 0.0069523 | 0.0049084 | 0.0070495 | 0.0051021 | 0.0050787 |
| 46 | 0.0070945 | 0.0050866 | 0.0049647 | 0.0048504 | 0.0051584 | 0.0069900 | 0.0049562 | 0.0070945 | 0.0051617 | 0.0051370 |
| 47 | 0.0071429 | 0.0051455 | 0.0050161 | 0.0049153 | 0.0052218 | 0.0070305 | 0.0050070 | 0.0071429 | 0.0052253 | 0.0051990 |
| 48 | 0.0071953 | 0.0052082 | 0.0050707 | 0.0049844 | 0.0052894 | 0.0070740 | 0.0050609 | 0.0071953 | 0.0052932 | 0.0052652 |
| 49 | 0.0072519 | 0.0052752 | 0.0051287 | 0.0050581 | 0.0053617 | 0.0071210 | 0.0051183 | 0.0072519 | 0.0053657 | 0.0053358 |
| 50 | 0.0073132 | 0.0053466 | 0.0051905 | 0.0051368 | 0.0054390 | 0.0071717 | 0.0051793 | 0.0073132 | 0.0054432 | 0.0054114 |
| 51 | 0.0073796 | 0.0054231 | 0.0052564 | 0.0052210 | 0.0055218 | 0.0072265 | 0.0052444 | 0.0073796 | 0.0055264 | 0.0054923 |
| 52 | 0.0074510 | 0.0055044 | 0.0053265 | 0.0053104 | 0.0056098 | 0.0072858 | 0.0053139 | 0.0074510 | 0.0056147 | 0.0055783 |
| 53 | 0.0075283 | 0.0055914 | 0.0054014 | 0.0054060 | 0.0057042 | 0.0073500 | 0.0053881 | 0.0075283 | 0.0057094 | 0.0056704 |
| 54 | 0.0076121 | 0.0056846 | 0.0054813 | 0.0055084 | 0.0058054 | 0.0074191 | 0.0054671 | 0.0076121 | 0.0058110 | 0.0057692 |
| 55 | 0.0077029 | 0.0057845 | 0.0055668 | 0.0056182 | 0.0059141 | 0.0074939 | 0.0055515 | 0.0077029 | 0.0059201 | 0.0058752 |
| 56 | 0.0078008 | 0.0058912 | 0.0056581 | 0.0057354 | 0.0060302 | 0.0075749 | 0.0056420 | 0.0078008 | 0.0060367 | 0.0059885 |
| 57 | 0.0079058 | 0.0060049 | 0.0057557 | 0.0058601 | 0.0061539 | 0.0076627 | 0.0057388 | 0.0079058 | 0.0061608 | 0.0061091 |
| 58 | 0.0080192 | 0.0061265 | 0.0058600 | 0.0059937 | 0.0062865 | 0.0077573 | 0.0058422 | 0.0080192 | 0.0062940 | 0.0062384 |
| 59 | 0.0081415 | 0.0062566 | 0.0059712 | 0.0061368 | 0.0064287 | 0.0078589 | 0.0059524 | 0.0081415 | 0.0064368 | 0.0063769 |
| 60 | 0.0082732 | 0.0063959 | 0.0060901 | 0.0062900 | 0.0065812 | 0.0079685 | 0.0060703 | 0.0082732 | 0.0065898 | 0.0065253 |
| 61 | 0.0084149 | 0.0065448 | 0.0062172 | 0.0064540 | 0.0067444 | 0.0080866 | 0.0061963 | 0.0084149 | 0.0067538 | 0.0066842 |
| 62 | 0.0085668 | 0.0067036 | 0.0063529 | 0.0066294 | 0.0069191 | 0.008208 | 0.0063311 | 0.0085668 | 0.0069292 | 0.0068540 |
| 63 | 0.0087294 | 0.0068729 | 0.0064976 | 0.0068167 | 0.0071058 | 0.0083506 | 0.0064751 | 0.0087294 | 0.0071168 | 0.0070354 |
| 64 | 0.0089030 | 0.0070531 | 0.0066517 | 0.0070165 | 0.0073050 | 0.0084970 | 0.0066285 | 0.0089030 | 0.0073169 | 0.0072287 |
| 65 | 0.0090893 | 0.0072458 | 0.0068158 | 0.0072307 | 0.0075186 | 0.0086537 | 0.0067919 | 0.0090893 | 0.0075315 | 0.0074359 |

For a complete listing of annuity factors for all ages and plans, see WAC 415-02-340. Factor in bold used in example on page 2.

Contacting DRS

If you have questions regarding the purchase of additional service credit, write to DRS at:

Department of Retirement Systems
P.O. Box 48380
Olympia, Washington 98504-8380

When you contact DRS about personal account information, be sure to include:

- Your Social Security number
- Your mailing address
- Your e-mail address
- Your signature (for written correspondence)
- Your daytime telephone number

Telephone

Olympia (360) 664-7000
Toll-Free 1-800-547-6657
TDD Line (360) 586-5450
Toll-Free TDD Line 1-866-377-8895

E-Mail

recep@drs.wa.gov

Web site

www.drs.wa.gov

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Summary

The actual provisions governing the purchase of additional service credit are contained in the Revised Code of Washington (RCW) pertaining to each specific retirement system. This brochure is a summary of those provisions, not a complete description of the law, and describes provisions currently in effect. If there are any conflicts between what is written in this brochure and what is contained in the law the applicable law will govern.